

**CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MACATAWA AREA PUBLIC TRANSIT SYS	County OTTAWA
Fiscal Year End JUNE 30, 2006	Opinion Date OCTOBER 27, 2006	Date Audit Report Submitted to State DECEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	The Macatawa Area Express is an enterprise fund of the City of Holland.		
Other (Describe)	<input type="checkbox"/>	None		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 616-975-4100		
Street Address 2330 EAST PARIS AVENUE SE		City GRAND RAPIDS	State MI	Zip 49546
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801

**CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

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# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

October 27, 2006

To the Board of Trustees  
Holland Macatawa Area Public Transit System  
Holland, Michigan

We have audited the accompanying financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of June 30, 2006, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the management of the City of Holland, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the Macatawa Area Public Transit System Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Holland, Michigan, as of June 30, 2006 and the changes in financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2006, on our consideration of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Macatawa Area Public Transit System has not presented Management's Discussion and Analysis (MD&A) as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF NET ASSETS

JUNE 30, 2006

ASSETS

CURRENT ASSETS:

Cash and pooled investments	\$ 139,483
Receivables	
Customers	13,048
Taxes	46
Due from other governmental units	1,088,179
Total current assets	1,240,756

NONCURRENT ASSETS:

Restricted assets	
Cash and pooled investments	601,348
Capital assets:	
Construction in progress	6,018
Machinery and equipment	3,920,770
Accumulated depreciation	(1,693,142)
Total capital assets	2,233,646
Total noncurrent assets	2,834,994
Total assets	4,075,750

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	105,739
Accrued payroll and benefits	1,893
Accrued compensated absences	2,101
Due to other funds of the City of Holland	686,967
Unearned revenue	8,700
Total current liabilities	805,400

NET ASSETS:

Invested in capital assets	2,233,646
Restricted for capital projects and by agreement	601,348
Unrestricted	435,356
Total net assets	\$ 3,270,350

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2006

OPERATING REVENUE:	
Passenger fares	\$ 218,376
User fees and charges for services	144,679
<hr/>	
Total operating revenue	363,055
 OPERATING EXPENSES:	
Operations	2,242,094
Maintenance	243,316
General administration	648,475
<hr/>	
Total operating expenses	3,133,885
<hr/>	
OPERATING LOSS	(2,770,830)
 NONOPERATING REVENUES (EXPENSES):	
Property taxes	113,079
Federal grants	1,629,485
State grants	1,241,785
Investment income	16,624
<hr/>	
Total nonoperating revenues	3,000,973
Income before transfers	230,143
Transfers out	(3,900)
<hr/>	
Change in net assets	226,243
Net assets - beginning of year	3,044,107
<hr/>	
Net assets - end of year	\$ 3,270,350
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The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers and users	\$ 419,845
Payments to suppliers	(2,888,322)
Payments to employees	(115,012)
<u>Net cash used for operating activities</u>	<u>(2,583,489)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(702,160)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Property taxes	113,317
Federal and state grants	2,660,405
Intergovernmental payments	404,031
<u>Net cash provided by noncapital financing activities</u>	<u>3,177,753</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment earnings	16,624
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NET DECREASE IN CASH AND POOLED INVESTMENTS	(91,272)
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CASH AND POOLED INVESTMENTS - Beginning of year	832,103
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CASH AND POOLED INVESTMENTS - End of year	\$ 740,831
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STATEMENT OF NET ASSETS CLASSIFICATIONS

OF CASH AND POOLED INVESTMENTS:

Current assets	\$ 139,483
Restricted assets	601,348
<u>TOTAL STATEMENT OF NET ASSETS CLASSIFICATIONS</u>	<u>\$ 740,831</u>



CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2006

Reconciliation of operating loss to net cash used for  
operating activities:

Operating loss	\$ (2,770,830)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Depreciation	395,460
Loss on disposal of assets	296
Changes in operating assets and liabilities:	
Accounts receivable	48,090
Accounts payable	(261,006)
Accrued and other liabilities	4,501
<hr/> Net cash used for operating activities	<hr/> \$ (2,583,489)

# **CITY OF HOLLAND, MICHIGAN MACATAWA AREA PUBLIC TRANSIT SYSTEM**

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Macatawa Area Public Transit System (System) of the City of Holland, Michigan (City), is an enterprise fund of the City of Holland. The City acquired these operations pursuant to the provisions set forth in Section 157A of the City Charter. MV Contract Transportation (the "Company") manages the operations of the System pursuant to an agreement between the Company and the City of Holland. The Macatawa Area Public Transit System provides public transportation services to users in the City of Holland and portions of the surrounding area.

#### **Basis of Accounting**

The System is accounted for in an enterprise fund which accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The accounting policies of the System conform to generally accepted accounting principles as applicable to enterprise funds of governmental units, and accordingly, the accrual basis of accounting and the economic resource measurement focus are followed. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance. The System has elected not to follow subsequent private-sector guidance.

A summary of significant accounting policies is as follows:

#### **Cash and Pooled Investments**

The System participates in the City's pooled cash and investment program that is available for use by all funds maintained by the City. For the purpose of the statement of cash flows the System considers cash and pooled investments to be cash and cash equivalents because investments and deposits within pooled cash and investments are not identifiable to specific funds and the assets can be withdrawn at anytime similar to a demand deposit account.

# **CITY OF HOLLAND, MICHIGAN MACATAWA AREA PUBLIC TRANSIT SYSTEM**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Cash and Pooled Investments**

Cash and pooled investments of the System are carried at fair value and are held in the name of the City of Holland.

State statute authorizes the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City's investment policy allows for all of these types of investments.

### **Capital Assets**

Property and equipment are recorded at cost or, if donated, at their estimated fair value on the date donated. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Depreciation on such capital assets is recorded on a straight-line basis over the estimated useful lives of the assets and is charged as an expense against operations. Costs of maintenance and repairs are charged to expense when incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u><b>Years</b></u>
Land improvements	10-20
Buildings and structures	5-40
Machinery and equipment	3-20
Office furniture and equipment	5-15
Vehicles	5-12

### **Property Taxes and Other Revenue**

Property taxes and other revenues are recorded as revenue when earned.

Properties are assessed as of December 31 and become a lien at that time. The related property taxes are levied and billed on July 1 of the following year and are due without penalty on or before August 15. Real property taxes that have not been collected as of March 1 are turned over to Ottawa and/or Allegan Counties for collection. The Counties advance the Transit System one hundred percent for the delinquent real property taxes. Collection of delinquent personal property and industrial facilities taxes remains the responsibility of the City Treasurer.

**CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**2. DEPOSITS AND INVESTMENTS**

The System's deposits and investments are included on the statement of net assets under the cash and pooled investments caption. The extent of deposit and investment risk associated with the cash and pooled investment balance cannot be determined separately for the System because the deposits and investments in the pool are not specifically identifiable by fund.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>BALANCE JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DISPOSITIONS</u>	<u>BALANCE JUNE 30, 2006</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 52,904	\$ 6,018	\$ 52,904	\$ 6,018
Capital assets, being depreciated:				
Land improvements	55,810	-	-	55,810
Buildings and structures	566,940	-	4,501	562,439
Machinery and equipment	358,027	82,504	13,579	426,952
Office furniture and equipment	38,455	-	9,512	28,943
Vehicles	2,180,084	666,542	-	2,846,626
Total capital assets, being depreciated	3,199,316	749,046	27,592	3,920,770
Less accumulated depreciation for:				
Land improvements	16,130	2,832	-	18,962
Buildings and structures	166,774	14,950	4,501	177,223
Machinery and equipment	76,892	45,719	13,283	109,328
Office furniture and equipment	19,254	2,126	9,512	11,868
Vehicles	1,045,928	329,833	-	1,375,761
Total accumulated depreciation	1,324,978	395,460	27,296	1,693,142
Net capital assets, being depreciated	1,874,338	353,586	296	2,227,628
Net capital assets	\$ 1,927,242	\$ 359,604	\$ 53,200	\$ 2,233,646

**CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

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**4. MANAGEMENT AGREEMENT**

The City has entered into an agreement with MV Contract Transportation to provide the operations of the Macatawa Area Public Transit System. The terms of the agreement require the City to pay an hourly rate for such services based on anticipated vehicle hours. The agreement expires June 30, 2007.

**5. SUBSEQUENT EVENT**

On July 1, 2006, the Macatawa Area Express Transportation Authority was created. From that date forward the Macatawa Area Express will operate as a Transportation Authority, legally separate from the City of Holland.

**6. RISK MANAGEMENT**

The System is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Holland is self-insured for a portion of these risks with the exception of workers' compensation insurance which is insured by a third party on a premium basis. The City purchases excess reinsurance and allocates risk management costs among the various funds of the City, including the Macatawa Area Public Transit System. The Macatawa Area Public Transit System pays premiums to the City of Holland insurance internal service fund which account for claims that have been incurred through the end of the fiscal year, including both those claims that have been reported, as well as those that have not yet been reported.

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# REHMANN ROBSON

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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

October 27, 2006

Honorable Mayor and Members of the City Council  
City of Holland, Michigan

Our report on our audit of the financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of and for the year ended June 30, 2006 appears on page 1. That audit was conducted for the purpose of forming an opinion on the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's financial statements taken as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund. The information found on pages 11 through 15, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information on pages 16 through 18 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF OPERATING REVENUE

YEAR ENDED JUNE 30, 2006

CODE	DESCRIPTION/COMMENT	JULY 1, 2005 TO SEPTEMBER 30, 2005	OCTOBER 1, 2005, TO JUNE 30, 2006	TOTAL
PASSENGER FARES:				
40100	Passenger Fares	\$ 33,684	\$ 156,716	\$ 190,400
40500	Incidental Charter Service	9,306	18,670	27,976
	Total passenger fares	42,990	175,386	218,376
USER FEES AND CHARGES FOR SERVICES:				
40715	Rental of revenue vehicles	-	1,086	1,086
40910	Local operating assistance	38,773	104,820	143,593
	Total user fees and charges for services	38,773	105,906	144,679
	Total operating revenue	\$ 81,763	\$ 281,292	\$ 363,055

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF NONOPERATING REVENUE

YEAR ENDED JUNE 30, 2006

CODE	DESCRIPTION/COMMENT	JULY 1, 2005 TO SEPTEMBER 30, 2005	OCTOBER 1, 2005, TO JUNE 30, 2006	TOTAL
40800	Local property taxes levied	\$ 28,187	\$ 84,892	\$ 113,079
FEDERAL GRANTS:				
41302	Section 5307 funds			
	M-90-X505 (100% Federal)	-	694,318	694,318
	M-90-X504 (100% Federal)	-	330,382	330,382
	M-90-X406 (100% Federal)	38,046	-	38,046
41312	Capital cost of contracting			
	M-90-X482 (100% Federal)	8,588	19,918	28,506
	M-90-X439/MDOT 2002-0045/Z3 (80% Federal)	1,077	3,923	5,000
	M-90-X406/MDOT 2002-0045/Z2 (80% Federal)	15,209	4,060	19,269
	M-90-X395/MDOT 2002-0045/Z1 (80% Federal)	224,000	-	224,000
	M-90-X366/MDOT 2001-0945 (80% Federal)	289,964	-	289,964
	Total federal grants	576,884	1,052,601	1,629,485
STATE OF MICHIGAN GRANTS:				
41101	State operating assistance			
	Current year	177,357	746,100	923,457
	Prior year	-	183,769	183,769
41112	Capital cost of contracting			
	M-90-X439/MDOT 2002-0045/Z3 (20% State)	-	1,250	1,250
	M-90-X406/MDOT 2002-0045/Z2 (20% State)	-	4,819	4,819
	M-90-X395/MDOT 2002-0045/Z1 (20% State)	-	56,000	56,000
	M-90-X366/MDOT 2001-0945 (20% State)	-	72,490	72,490
	Total State of Michigan grants	177,357	1,064,428	1,241,785
41400	Interest income	-	16,624	16,624
	Total nonoperating revenue	\$ 782,428	\$ 2,218,545	\$ 3,000,973



CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED JUNE 30, 2006

		GENERAL			
CODE		OPERATIONS	MAINTENANCE	ADMINISTRATION	TOTAL
LABOR:					
50101	Operators' salaries and wages	\$ 1,096,360	\$ -	\$ -	\$ 1,096,360
50102	Other salaries and wages	115,923	-	76,112	192,035
50103	Dispatcher salaries and wages	159,149	-	-	159,149
Total labor		1,371,432	-	76,112	1,447,544
FRINGE BENEFITS:					
50201	Pensions	-	-	3,800	3,800
50200	Other	467,196	-	27,397	494,593
Total fringe benefits		467,196	-	31,197	498,393
SERVICES:					
50302	Advertising	-	-	72,221	72,221
50305	Audit cost	-	-	3,420	3,420
50399	Other	126,638	242,647	33,210	402,495
Total services		126,638	242,647	108,851	478,136
MATERIALS:					
50401	Fuel and Lubricants	204,122	-	-	204,122
50402	Tires	34,742	-	-	34,742
50499	Other	-	585	10,251	10,836
Total materials		238,864	585	10,251	249,700
50500	UTILITIES	-	-	21,239	21,239
CASUALTY AND LIABILITY:					
50603	Liability insurance	33,300	-	-	33,300
50699	Other	225	-	-	225
Total casualty and liability		33,525	-	-	33,525
MISCELLANEOUS EXPENSES:					
50902	Travel and meals	-	84	500	584
50903	Association dues and subscrip	-	-	3,121	3,121
50909	Loss on disposal of assets	-	-	296	296
50999	Other	679	-	1,448	2,127
Total miscellaneous expenses		679	84	5,365	6,128
51200	LEASE AND RENTALS	3,760	-	-	3,760
DEPRECIATION:					
	Grant assets	-	-	363,316	363,316
	Other assets	-	-	32,144	32,144
Total depreciation		-	-	395,460	395,460
Total operating expenses		\$ 2,242,094	\$ 243,316	\$ 648,475	\$ 3,133,885

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

YEAR ENDED JUNE 30, 2006

	JULY 1, 2005, TO SEPTEMBER 30, 2005	OCTOBER 1, 2005, TO JUNE 30, 2006	TOTAL
EXPENSES:			
Labor	\$ 311,289	\$1,136,255	\$1,447,544
Fringe benefits	118,897	379,496	498,393
Services	95,886	382,250	478,136
Materials and supplies	58,309	191,391	249,700
Utilities	3,930	17,309	21,239
Casualty and liability costs	6,731	26,794	33,525
Miscellaneous expenses	74	6,054	6,128
Lease and rentals	500	3,260	3,760
Depreciation	-	395,460	395,460
Total expenses	595,616	2,538,269	3,133,885
LESS INELIGIBLE EXPENSES:			
Depreciation	-	(363,316)	(363,316)
Ineligible local contracts	-	(775)	(775)
Ineligible charter expense	(6,508)	(12,903)	(19,411)
Other	-	(1,713)	(1,713)
Total ineligible expenses	(6,508)	(378,707)	(385,215)
Eligible expenses	\$ 602,124	\$2,916,976	\$3,519,100
Eligible expenses - October 1, 2004 through June 30, 2005			\$1,798,138
Eligible expenses - July 1, 2005 through September 30, 2005			602,124
Total eligible expenses - Grant year ended September 30, 2005			\$2,400,262
Maximum state operating assistance Statutory cap: 60% of eligible expenses			\$1,440,157

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF FINANCIAL ASSISTANCE  
FEDERAL AND STATE

YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR AND PROGRAM TITLE	SUBGRANTOR	FEDERAL	AWARD	ACCRUED/ (DEFERRED)	FEDERAL	STATE	EXPENDITURES	ACCRUED/ (DEFERRED)	REVENUE
	AWARD	CFDA		REVENUE	REVENUE	REVENUE		AT JUNE 30,	
	NUMBER	NUMBER	AMOUNT	AT JULY 1, 2005	REVENUE RECEIVED	RECEIVED		2006	REVENUE RECOGNIZED
U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration Capital and Operating Assistance Grants:									
Operating Assistance - Section 5307	90-X482	20.507	\$ 816,000	\$ 816,000	\$ 816,000	\$ -	\$ -	\$ -	-
Operating Assistance - Section 5307	90-X505	20.507	694,318	-	-	-	694,318	694,318	694,318
Operating Assistance - Section 5307	90-X504	20.507	330,382	-	-	-	330,382	330,382	330,382
Operating Assistance - Section 5307	90-X406	20.507	38,046	-	38,046	-	38,046	-	38,046
Capital Assistance	90-X482	20.507	79,600	42,323	68,126	-	28,506	2,703	28,506
Capital Assistance	90-X439	20.507	185,600	5,770	10,770	-	5,000	-	5,000
Capital Assistance	90-X406	20.507	191,154	887	20,156	-	19,269	-	19,269
Capital Assistance	90-X395	20.507	224,000	-	224,000	-	224,000	-	224,000
Capital Assistance	90-X366	20.507	289,964	-	289,964	-	289,964	-	289,964
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			2,849,064	864,980	1,467,062	-	1,629,485	1,027,403	1,629,485
MICHIGAN DEPARTMENT OF TRANSPORTATION - Operating and Capital Assistance Grants:									
Operating Assistance September 30, 200	n/a	n/a	n/a	-	-	122,993	183,769	60,776	183,769
Operating Assistance September 30, 200	n/a	n/a	n/a	-	-	923,457	923,457	-	923,457
Capital Assistance	n/a	n/a	n/a	10,581	-	10,581	-	-	-
Capital Assistance	02-0045z3	n/a	46,400	1,028	-	2,278	1,250	-	1,250
Capital Assistance	02-0045z2	n/a	57,300	725	-	5,544	4,819	-	4,819
Capital Assistance	02-0045z1	n/a	58,882	-	-	56,000	56,000	-	56,000
Capital Assistance	2001-0945	n/a	72,490	-	-	72,490	72,490	-	72,490
TOTAL MICHIGAN DEPARTMENT OF TRANSPORTATION			235,072	12,334	-	1,193,343	1,241,785	60,776	1,241,785
			\$ 3,084,136	\$ 877,314	\$ 1,467,062	\$ 1,193,343	\$ 2,871,270	\$ 1,088,179	\$ 2,871,270

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF VEHICLE MILES

YEAR ENDED JUNE 30, 2006

(UNAUDITED)

	TOTAL
First quarter (July-September)	177,833
Second quarter (October-December)	186,517
Third quarter (January-March)	198,992
Fourth quarter (April-June)	192,946
Total	756,288

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF LINE-HAUL PASSENGER DATA AND VEHICLE HOURS

YEAR ENDED JUNE 30, 2006

(UNAUDITED)

	<u>VEHICLE HOURS</u>	<u>REGULAR PASSENGERS</u>	<u>SENIOR PASSENGERS</u>	<u>HANDICAPPED PASSENGERS</u>	<u>SENIOR/ HANDICAPPED PASSENGERS</u>	<u>TOTAL PASSENGERS</u>
First quarter (July-September)	5,340	15,231	1,951	3,277	168	20,627
Second quarter (October-December)	5,416	15,118	2,065	3,678	229	21,090
Third quarter (January-March)	5,409	19,060	1,941	4,702	176	25,879
Fourth quarter (April-June)	5,282	17,244	2,078	4,145	250	23,717
Total	21,447	66,653	8,035	15,802	823	91,313

CITY OF HOLLAND, MICHIGAN  
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF DEMAND RESPONSE PASSENGER DATA AND VEHICLE HOURS

YEAR ENDED JUNE 30, 2006

(UNAUDITED)

	<u>VEHICLE HOURS</u>	<u>REGULAR PASSENGERS</u>	<u>SENIOR PASSENGERS</u>	<u>HANDICAPPED PASSENGERS</u>	<u>SENIOR/ HANDICAPPED PASSENGERS</u>	<u>TOTAL PASSENGERS</u>
First quarter (July-September)	8,006	6,731	715	15,310	854	23,610
Second quarter (October-December)	8,636	9,754	973	15,665	622	27,014
Third quarter (January-March)	9,139	13,276	1,306	17,543	894	33,019
Fourth quarter (April-June)	9,009	9,964	1,209	16,874	890	28,937
Total	34,790	39,725	4,203	65,392	3,260	112,580



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

October 27, 2006

To the Board of Trustees  
Holland Macatawa Area Public Transit System  
Holland, Michigan

We have audited the accompanying financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of and for the year ended June 30, 2006, as listed in the table of contents, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Board of Trustees, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.